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BUSINESS CONDITIONS

Vol. 5 No. 12

December, 1932

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE ECONOMIC SERVICE	THOMAS GIBSON	SILVERMASTER
GENERAL OUTLOOK	Business in 1933 likely to show gain over 1932 (Nov. 26). During present slack period, business will probably not sink back to last Summer's low (Dec. 10).	Prepare for better business in 1933 (Nov. 28). Worst behind us; we are facing major upward trend (Dec. 5). Last Summer marked low point of depression (Dec. 19).	Business holding well above Summer low, despite war debt and Federal budget difficulties; suggests possibility of better than seasonal expansion next Spring (Dec. 19).	Ingredients for major recovery present; early phases of such recovery being currently witnessed; promise of further improvement in early 1933 (Dec. 16).	So ing a exists of ma dustr
MONEY AND CREDIT	Downward trend in volume of Reserve credit outstanding is favorable; lessening of strain on Reserve banks illustrates easier conditions of 1932 compared with 1931 (Dec. 3).	Financial situation unmistakably improved; gold inflow continues; hoarded dollars returning to their jobs; steady increase in excess reserves of leading banks (Dec. 5).	Since mid-June our gold stock has increased \$460,000,000; excess reserves of member banks have expanded tremendously; bank failures have declined (Dec. 19).	Huge drafts on our gold supply in early 1932 have about been recovered (Dec. 2). Present rising world's gold supply most important single economic force (Dec. 16).	Pre health of pr merce invest service ments
SECURITY MARKETS	Prices of stocks and bonds slightly higher than week ago and well above lows of early Summer (Dec. 17).	In security markets, deflation has been completed (Dec. 12). With better business in 1933, next main move in stocks will be upward (Dec. 19).	Despite many adverse developments, sufficient favorable factors to suggest probability of new advancing phase of stock market during coming months. (Dec. 19).	Liquidation apparently completed; American investor has rare opportunity to make great speculative profits; now is time to carry full line of securities (Dec. 16).	Pro broug flouria cially growi
PRODUCTION	Weekly output of automobiles has shown sharp rise from 11,158 cars to 23,297 cars but steel activity has dropped from 16% of capacity to 15% (Dec. 17).	Automobile output in 1933 should exceed 1932 (Nov. 28). Textile industry operating at about 90% of normal; trend in coal production favorable (Dec. 19).	Prospects for sustained improvement in steel industry have not brightened materially and will not do so until market for motor cars shows renewed life (Dec. 19).	Steel and electrical power output have declined slightly; automobile production fell off sharply in November, but has risen sharply during current month (Dec. 16).	Inte contin copper ous o impor output
DISTRIBUTION	Value of department store sales, adjusted for seasonal variation, dropped back in November to new low for depression—20% below year ago (Dec. 17).	Sales of two leading mail order concerns about 20% below last year; some of decline due to lower retail prices; low farm income will cut into mail order trade (Nov. 28).	Decline in railway traffic from October to November was less than usual amount. During November, retail trade probably declined more than seasonally (Dec. 12).	In past five months, great reversal in average weekly carloadings compared with 1931 and 1930; such reversal invariably followed by further gains in next year (Dec. 16).	Sev ulated sale of but it to end trend
BUILDING	Building contracts in 37 eastern states in November showed small but contra-seasonal increase over October, entirely due to gain in non-residential work (Dec. 17).	Seasonally corrected, November building awards showed upward trend from October; decline from last year reduced to 30%; suggests this industry has seen worst (Dec. 19).	Government construction has been main support of building industry recently; President's message to Congress indicates this support will probably be withdrawn (Dec. 19).	New construction contracts, a barometric index, show little change from month to month (Dec. 16).	No in tr change media such are y
AGRICULTURE	In past three years, farm income reduced by 56.2%; further curtailment unlikely; possibility of 10% increase in farm income in 1933 over 1932 (Dec. 10).	Estimated on statistics available, income from this year's leading crops will probably not come within 15% or 20% of last year's value (Nov. 28).	Farm prices continue to decline to record low levels; large supplies and poor demand militate against price improvement in next few months at least (Nov. 30).	Giving due consideration to current prices for such leading commodities as wheat, cotton, corn, opinion that next important change in prices will be upward (Dec. 16).	Mar lotmer ward higher prices produ
COMMODITY PRICES	In past three years, 31.2% decline in retail prices (Dec. 3). In past week, prices of raw commodities dropped sharply; further decline in manufactured goods (Dec. 17).	Although wheat, copper, silver at new lows, most wholesale prices will resist further recession; low point of depression passed for most wholesale prices (Dec. 19).	Severe relapse in commodity prices; Summer rally being lost; indexes at new lows; break-down in program to support petroleum price outstanding development (Dec. 19).	Combination of anti-deflation central banking policy and rising gold supply is bound to make for higher commodity prices and thus relieve burden of debtors (Dec. 16).	Rai must about tion stimu
FOREIGN TRADE AND CONDITIONS	Various foreign currencies no longer linked to gold have depreciated sharply. Movement of gold to this country likely to continue (Dec. 10).	Downward tariff revisions will follow World Economic Conference called by Roosevelt next year (Dec. 5). Debt problem will not be solved until after Mar. 4 (Dec. 12).	When war debts, disarmament, tariffs, budgets, exchange restrictions, excessive nationalism and similar issues are settled, trade will be restored (Dec. 5).	War debt controversy has apparently been settled to satisfaction of this country, with "united front" of Europe dissolved by France's unwarranted default (Dec. 16).	Ado ling g is pro of follow tembe
LABOR AND WAGES	Share-the-work movement has lost ground since July; fortunate because success would mean sharing pay also; labor not in position to stand further tax in this direction (Dec. 10).	Factory employment now only 13.1% below 1931, as against 23.0% three months ago; payrolls 27.8% below year ago, compared with 40.0% in July (Dec. 19).	Industrial employment in October was 13% under that month year ago, but payrolls were down 28% (Nov. 30).	Machine in actual practice cuts costs of production, gives worker more leisure, makes for more equal distribution of wealth (Dec. 16).	

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S AND FORECASTS

Prepared Monthly for the AMERICAN MANAGEMENT ASSOCIATION
By M. RODGERS LINDSAY
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1932

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SILBERLING RESEARCH CORPORATION	CLEVELAND TRUST COMPANY	GUARANTY TRUST COMPANY	NATIONAL CITY BANK
<p>So long as impasse concerning allied debts and reparations exists, absolutely no possibility of major upturn in our basic industries (Dec. 3).</p> <p>Present ease in money unhealthy and unnatural; is result of prostration of normal commercial banking and long-term investment in securities and subservience to Treasury requirements (Dec. 3).</p> <p>Professional tactics have brought list of stocks into mild flourish which seems superficially strong but technically growing ever weaker (Dec. 10).</p> <p>International agreement to continue orderly contraction of copper production meeting serious obstacles in desire of one important interest to expand output (Dec. 10).</p> <p>Severity of weather has stimulated coal movements and sale of certain items of clothing but its influence does not extend to enough lines to affect general trend (Dec. 10).</p> <p>No signs of broad change in trend of rentals indicating change in demand justifying immediate residential expansion, such as occurred from 1921 on, are yet present (Nov. 26).</p> <p>Many dangers in so-called "allotment plan," recently put forward by farm interests to afford higher returns (not directly prices) to producers of such products as wheat (Dec. 10).</p> <p>Raising of commodity prices must ultimately be brought about by contraction of production of surplus quantities and stimulation of demand (Dec. 10).</p> <p>Additional weakness in sterling group of foreign exchange is probably preface to new chapter of international disturbance following that begun in September, 1931 (Nov. 26).</p>	<p>Economic evils not likely to be self-curing as in other depressions; government action needed to restore export trade and to facilitate industrial expansion (Dec. 15).</p> <p>Conditions in banking system, Treasury policy, large increases in gold stocks constitute fertile material for great inflation of money and credit (Dec. 15).</p> <p>In 1933, trends of security prices may be so greatly influenced by political developments and by economic forces that they defy prediction (Dec. 15).</p> <p>Great excess capacities for production in agriculture, mining, industry—created to supply foreign demands—must either be reemployed or absorbed (Dec. 15).</p> <p>Probable volume of carloadings, production, and other factors in 1933 may be so influenced by political and economic developments as to be unpredictable (Dec. 15).</p> <p>New construction is paid for by long-term bond flotations; until such issues can be sold in volume, return to satisfactory activity not to be expected (Dec. 15).</p> <p>Farmers have been selling their products this year at prices that are about one half of those they were receiving in 1913 (Dec. 15).</p> <p>Huge surplus stocks of staple raw materials and collapsed international trade militate powerfully against any considerable or prompt advance in price levels (Dec. 15).</p> <p>In past three years, our export trade has shrunk seriously; government action on such matters as war debts and tariffs essential to restore export trade (Dec. 15).</p> <p>It seems probable that industrial wage rates will be lower at end of 1933 than in 1932 (Dec. 15).</p>	<p>Autumn revival moderately encouraging; further progress not likely in Winter months; if economic fundamentals strengthened, recovery may start in Spring (Nov. 28).</p> <p>Banking system in splendid position to finance business recovery; further gold inflow; fewer bank failures; continued increase in bank deposits (Nov. 28).</p> <p>In November, stock and bond markets stronger in tone than in October; stocks irregular but relatively firm; foreign bonds weak; Governments strong (Nov. 28).</p> <p>In November, steel output well maintained; continued gain in bituminous coal production; automobile industry failed to show definite signs of revival (Nov. 28).</p> <p>In November, department store sales expanded seasonally. Railway freight traffic passed its peak and entered period of seasonal decline (Nov. 28).</p> <p>Construction industry still fails to show definite signs of revival (Nov. 28).</p> <p>Government estimates total farm income in U. S. this year will be only \$5,240,000,000—\$1,715,000,000 below last year and \$6,710,000,000 below 1929 (Nov. 28).</p> <p>Decline in prices continued at slower rate in month ended Nov. 15; farm products weak; sharp declines in copper, wool, silk, coffee (Nov. 28).</p> <p>Acute political and financial unsettlement still exists in some quarters abroad; international problems such as armaments, war debts, trade barriers still unsolved (Nov. 28).</p> <p>Further increase in factory employment was among favorable business developments in November. Farm wages lowest in thirty years (Nov. 28).</p>	<p>As usual November industrial activity was somewhat below October, but forceful demonstration of recuperative power has brought business out of bottom of trough (Dec.).</p> <p>Program of breaking circle of deflation by supporting private credit-granting institutions with public credit in jeopardy unless Federal budget balanced (Dec.).</p> <p>Reactions from war-time restrictions and abundant credit led to excesses of post-war boom with resulting collapse in credit, prices, security values (Dec.).</p> <p>Great and pressing need of present time is lowering of costs of production, particularly in all lines in which they are still above 1913 level (Dec.).</p> <p>Apparently, the high costs (above 1913 level) are in fabrication, construction, and transportation (Dec.).</p> <p>After war, dammed up volume of construction and development work was released, giving great impetus to industry with subsequent collapse (Dec.).</p> <p>Reports from Russia of delay in sowing Winter crops beyond favorable season and failure to plant prescribed acreage is factor bullish on farm prices (Dec.).</p> <p>Trend of major commodities downward; new lows made by wheat, cattle, silver, cocoa; cotton, silk, wool, rubber, sugar, tin lowest since early Summer (Dec.).</p> <p>Most pressing problem now is to do something constructive to stabilize currencies, improve world trade conditions, maintain foreign demand for our products (Dec.).</p> <p>During post-war boom unlimited demand for man-power, and rise of living costs, resulted in doubling of wages—eventually chief factor in great unemployment (Dec.).</p>